

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02 LAB-04
SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01 /103 W
-----012729 180224Z /64

R 171709Z AUG 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1159
DEPARTMENT TREASURY
AMEMBASSY PARIS

UNCLAS SECTION 01 OF 02 BONN 15012

USOECD
DEPARTMENT PASS FRB AND CEA

E.O. 11652: N/A
TAGS: ECON EFIN GW
SUBJECT: SUPPLEMENTARY TRADE ITEMS IN FRG
BALANCE OF PAYMENTS STATISTICS

REF: BONN 14354

1. IN THE FIRST HALF OF 1978 SUPPLEMENTARY TRADE ITEMS REPORTED IN FRG BALANCE OF PAYMENTS STATISTICS WERE IN SURPLUS BY DM 1.3 BILLION AS COMPARED WITH DM 1.2 BILLION DEFICIT IN THE FIRST HALF OF 1977 (SEE BONN 14354). THIS DM 2.5 BILLION SWING ALMOST FULLY ACCOUNTS FOR THE DM 2.9 BILLION INCREASE IN THE CURRENT ACCOUNT SURPLUS FROM THE FIRST HALF OF 1977 TO THE FIRST HALF OF 1978 (FROM DM 4.9 BILLION TO DM 7.7 BILLION -- SEE BONN 14354). THE FOLLOWING IS AN ATTEMPT TO ANALYZE THE SUPPLEMENTARY TRADE ITEMS, AS CALCULATED BY THE BUNDESBANK, AND THEIR DEVELOPMENT IN THE FIRST FIVE MONTHS OF THIS YEAR FOR WHICH SOME DETAILED DATA ARE NOW AVAILABLE.

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2. IN FRG BALANCE OF PAYMENTS STATISTICS FOREIGN TRADE IS RECORDED ON THE BASIS OF THE "SPECIAL TRADE" STATISTICS IN ORDER TO ADJUST "SPECIAL TRADE" DATA TO THE "GENERAL TRADE" CONCEPTS USED IN BOP AND GNP STATISTICS THE BUNDESBANK ADDS TO "SPECIAL TRADE" THE SO-CALLED QTE SUPPLEMENTARY TRADE ADJUSTMENTS UNQTE WHICH ARE INCLUDED

IN THE CURRENT ACCOUNT AND IN PRELIMINARY BUNDESBANK
BALANCE OF PAYMENTS FIGURES ARE USUALLY LISTED ONLY AS
A BALANCE LUMPED IN WITH THE BALANCE ON SERVICES. THE
SUPPLEMENTAL TRADE ADJUSTMENT INCLUDES ALL TRANSIT
TRADE AND EXPORTS AND IMPORTS RESULTING FROM WAREHOUSE

TRANSACTIONS IN CUSTOMS FREE AREAS FOR THE ACCOUNT OF
GERMAN NATIONALS. THE SUPPLEMENTARY TRADE ITEM ALSO
MAKES ADJUSTMENT FOR GOODS ORIGINALLY EXPORTED
OR IMPORTED, BUT LATER RETURNED. SIMILARLY IT ADJUSTS
FOR GOODS IMPORTED AND RE-EXPORTED AFTER PROCESSING ON
A COMMISSION BASIS AND GOODS PROCESSED ABROAD ON A
COMMISSION BASIS FOR GERMAN ACCOUNT.

3. WHEN FIRST INTRODUCED INTO GERMAN BALANCE OF
PAYMENTS STATISTICS SOME YEARS AGO, THE SUPPLEMENTARY
TRADE ADJUSTMENT ALSO INCLUDED AN ADJUSTMENT FOR CHANGES
DUE TO EXCHANGE RATE CHANGES IN THE DM PRICE OF GOODS
AT THE TIME THEY CROSSED THE BORDER (AND ENTERED THE
TRADE STATISTICS) AND THE TIME ACTUAL PAYMENT TOOK
PLACE. THE BUNDESBANK, HOWEVER, TELLS US THAT IT
QUIETLY DROPPED INCLUSION OF THIS ADJUSTMENT IN THE
TRADE SUPPLEMENT IN 1977. THIS FOREIGN EXCHANGE
ADJUSTMENT THUS IS INCLUDED IN THE TRADE SUPPLEMENT
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THROUGH 1976 AND IN ERRORS AND OMISSIONS THEREAFTER.

4. IN THE POST-WAR PERIOD TRADE SUPPLEMENTS WERE ALWAYS
NEGATIVE WITH THE EXCEPTION OF 1971 WHEN A SMALL POSITIVE
(DM 0.3 BILLION) SUPPLEMENT WAS REPORTED AND THE
RELATIVE LARGE POSITIVE ITEM RECORDED IN THE FIRST HALF
OF 1978. THE FOLLOWING TABLE SHOWS THE DEVELOPMENT OF
TRADE SUPPLEMENTS IN RECENT YEARS AND IN THE FIRST FIVE
MONTHS OF 1977 AND 1978:

GERMAN TRADE SUPPLEMENTS

(DM BILLION)

JAN-MAY

1976 1977 1977 1978

I. TRANSIT TRADE:

EXPORTS	27.5	32.9	13.6	14.2
IMPORTS	24.9	31.9	13.5	13.0
BALANCE	2.5	1.0	0.1	1.2

II. CUSTOMS FREE WAREHOUSE

TRANSACTIONS:

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EXPORTS 1/	2.7	3.0	1.2	N.A.
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IMPORTS 2/	4.5	3.7	2.0	N.A.
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BALANCE	-1.8	-0.7	-0.7	0.4E/
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III. BALANCE ON OTHER

(UNIDENTIFIED)

SUPPLEMENTS 3/	-0.9	-1.4	-0.4	-0.5
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IV. TOTAL SUPPLEMENTS

(AS RECORDED IN BOP

STATISTICS)	-0.2	-1.0	-1.1	1.1
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FIGURES DO NOT ALWAYS ADD UP DUE TO ROUNDING.

E/ ESTIMATED.

1/ EXPORTS FOR DOMESTIC ACCOUNT FROM CUSTOMS FREE
WAREHOUSES

2/ IMPORTS FOR DOMESTIC ACCOUNT INTO CUSTOMS FREE
WAREHOUSES (MINUS RE-EXPORTS FOR FOREIGN ACCOUNT
AND IMPORTS FROM CUSTOMS FREE WAREHOUSES INTO THE
FRG CUSTOMS AREA)

3/ MAINLY DEDUCTIONS OF GOODS RETURNED, AND OF EXPORTS

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AND IMPORTS MADE IN CONNECTION WITH PROCESSING OF
GOODS ON A COMMISSION BASIS.

5. THE ABOVE TABLE SHOWS THAT THE SHIFT FROM NEGATIVE
SUPPLEMENTS IN 1977 TO POSITIVE SUPPLEMENTS IN 1978
WAS BASICALLY DUE TO DM 1.1 BILLION INCREASE IN THE
TRANSIT TRADE SURPLUS AND A DM 1.1 BILLION SHIFT TO
THE POSITIVE IN THE CUSTOMS FREE WAREHOUSE TRANSACTIONS
BALANCE. THE BALANCE OF OTHER TRADE SUPPLEMENTS, ON
THE OTHER HAND, REMAINED VIRTUALLY UNCHANGED.

THE INCREASE IN THE TRANSIT TRADE BALANCE APPARENTLY
CAME ABOUT BECAUSE IN 1978 INVENTORIES HELD BY TRANSIT
TRADERS WERE REDUCED. THE SAME DEVELOPMENT MAY HAVE
OCCURRED IN WAREHOUSE TRANSACTIONS ALTHOUGH DETAILED
DATA FOR 1978 WAREHOUSE TRADE ARE NOT YET AVAILABLE.

6. A BUNDESBANK BOP ANALYST REMAINED RATHER VAGUE
WHEN ASKED ABOUT REASONS FOR THE RECENT SHIFT IN TRANSIT
AND WAREHOUSE TRADE. HE INDICATED, HOWEVER, THAT THE
INCREASE IN THE TRANSIT TRADE SURPLUS FROM 1977 TO 1978
MAINLY REFLECTED DEVELOPMENTS IN THREE CATEGORIES OF
GOODS, I.E., GRAINS; POL PRODUCTS; AND PRECIOUS STONES,
PEARLS AND COINS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 17 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN15012
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780337-0420
Format: TEL
From: BONN USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780850/aaaabpuo.tel
Line Count: 200
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3e017061-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BONN 14354
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1702000
Secure: OPEN
Status: NATIVE
Subject: SUPPLEMENTARY TRADE ITEMS IN FRG BALANCE OF PAYMENTS STATISTICS
TAGS: ECON, EFIN, GE
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3e017061-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014